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## Emerging issues: the social dimension in the global development agenda beyond 2015

**Note by the Secretariat**

## I. Introduction

1. World leaders, when they adopted the United Nations Millennium Declaration in 2000 (General Assembly resolution 55/2), pledged to create a more equitable world and recognized equality and solidarity as essential to international relations in the twenty-first century. The Millennium Development Goals that followed the Declaration have been instrumental in building a common agenda to guide global and national development efforts. Under the framework of the Millennium Development Goals, coordination has improved and progress has been made towards the goal of eradicating poverty. That is to say, the number of people living on less than $1.25 a day has fallen in every region, including sub-Saharan Africa, where the proportion of people living in extreme income poverty has been highest. Globally, the proportion of people living in extreme poverty fell from 47 per cent in 1990 to 24 per cent in 2008, according to research by the World Bank.

2. However, it is now being recognized that the framework for the Goals did not adequately integrate two universal principles that were at the core of the international development agenda: equality and social justice. Since the Millennium Development Goals are measured largely in terms of average progress towards each indicator, these Goals can be reached, and in some cases have been reached, at the national and global levels, under conditions of growing inequality in human development. Furthermore, the framework did not address the social and economic issues that have a strong influence on equality, social justice and participation, namely, productive employment and decent work for all, social protection, social inclusion and the need for inclusive, equitable and sustainable economic growth.

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3. In June 2012, at the United Nations Conference on Sustainable Development, Governments reaffirmed the need to:

> ...achieve sustainable development by promoting sustained, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion, and promoting the integrated and sustainable management of natural resources and ecosystems (General Assembly resolution 66/288, annex, para. 4).

4. Development will not be sustainable unless it rests firmly on strong social foundations, as a large body of empirical evidence now shows. The ongoing, informal consultations led by the United Nations on the global development agenda beyond 2015 have shown political commitment to strengthening the social dimensions of sustainable development.[1] Much needs to be done, however, to translate such commitment into effective action.

5. The present note summarizes some of the empirical evidence on the importance of social development to sustainable development, and discusses some critical aspects of an implementation strategy for achieving sustainable development. The aim of the note is to stimulate political momentum for a socially sustainable global development agenda beyond 2015, through the effective integration of the three dimensions of sustainable development.

## II. The importance of the social dimensions of sustainable development: making an evidence-based case

6. In order to create synergies between a green economy and poverty eradication, the global development agenda must go beyond addressing the basic symptoms of poverty. A socially sustainable global development agenda requires transformative change. Such transformative change calls for an integrated approach to development that addresses the complex interrelated challenges, based on social justice, social inclusion and participation by all. In fact, the persistence of poverty and the continued increase in inequality are, themselves, manifestations of the absence of social justice and the resulting lack of equal opportunities, participation and respect for human rights, and underscore the need to strengthen the social dimension of sustainable development.

### A. Social development as a precondition for sustainable development

7. A strong social foundation is necessary for achieving sustainable, inclusive and equitable economic growth and environmental protection. Stable, just and inclusive societies are a prerequisite for economic development. Policies and programmes to promote environmental sustainability are more likely to be implemented with popular support in countries where there is social cohesion and where those policies are formulated through participatory processes.

8. Investment in social development, including education, skills training, health and social protection, is critical to improving the productive capacity of individuals

[1] For information on the global consultations being led by the United Nations on the global development agenda beyond 2015, see the web platform www.worldwewant2015.org.

and societies and, thus, to contributing positively to inclusive, equitable and sustainable economic growth. Moreover, social expenditure acts as an automatic stabilizer that supports income, mitigates risk and bolsters demand during economic downturns, as outlays in public assistance and unemployment benefits increase during such periods. In addition, such investment enhances the ability of individuals, communities and societies to adapt to the demands of environmental protection and related structural changes in the economy. Education and skills training can prepare workers for new employment opportunities created by the green economy, in particular, green jobs; and social protection systems lessen the hardship some workers will face when their jobs are negatively affected by the necessary restructuring towards greener economies, thereby enabling a smoother transition to a more environmentally sustainable economic growth path.

9. Evidence shows that highly unequal societies tend to grow more slowly than those with lower levels of inequality: they are less successful in sustaining growth over long periods of time, and they recover more slowly from economic downturns.[2] High inequality can intensify the risk of financial crises and their negative impacts and generate social tensions and political instability, all of which discourage investment and hence, impair growth. Without appropriate institutions and policies to prevent it, inequality leads to a concentration of political influence among those who are already better off and, therefore, reinforces inequality in access and opportunities.

10. Poverty and inequality have been found to exacerbate environmental degradation and weaken environmental protection, as the costs of excess environmental pollution caused by the better-off are often not borne by them but by those at the bottom of the socioeconomic ladder.[3] In highly unequal societies, individuals and groups are less likely to cooperate in the design and enforcement of measures to protect natural assets, ranging from local commons to changes in the climate.[4]

## B. Human capital investments for strong economic and environmental pillars

11. Economic growth, environmental protection and equality do not reinforce each other automatically. Environmental sustainability may not lead to a reduction in poverty levels. Likewise, green economies will not necessarily be economically or socially sustainable, unless those investments that are critical to raising productivity and reducing vulnerability, namely, investments in the development of human capital, social protection, social services and infrastructure, are in place.

12. Strong social policy frameworks increase the likelihood of virtuous cycles between growth, environmental conservation, equality and social cohesion. The

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[2] See, for example: Andrew Berg and Jonathan Ostry (2011). Inequality and unsustainable growth: two sides of the same coin? International Monetary Fund Staff Discussion Note; Shubham Chaudhuri and Martin Ravallion, "Partially Awakened Giants: Uneven Growth in China and India", Policy Research Working Paper No. 4069 (Washington, D.C., World Bank 2006); and William Easterly, "Inequality does cause underdevelopment: insights from a new instrument", *Journal of Development Economics*, vol. 84, No. 2 (November 2007).

[3] James K. Boyce, "Inequality and environmental protection", Working Paper series No. 52, Political Economy Research Institute (Amherst, University of Massachusetts, 2003).

[4] See Jean-Marie Baland, Pranab Bardhan and Samuel Bowles, eds., *Inequality, Cooperation and Environmental Sustainability* (Princeton, New Jersey, Princeton University Press, 2006).

promotion of human development and the development of social capital, for instance, enables individuals, families and communities to improve their livelihood prospects and helps economies unleash the productive potential of their workforces. The high, and growing, economic and social returns on investments in education and health care for individuals, economies and societies at large, are well-established empirically.[5] Children's access to health care and education, in particular, helps break the intergenerational transmission of poverty, as such access allows them to develop the skills needed to gain access to productive employment and other opportunities.

13. Investments in education, health care, training and the creation of new employment opportunities are all necessary for building resilience and changing consumption and production patterns. Education and training, particularly in the context of green jobs, are important to build the necessary human capital and to fuel innovations needed to change production patterns, while preparing workers for new employment opportunities in the green economy. They are also crucial to creating public awareness about sustainable consumption and production patterns and the significance of those patterns in ensuring that human activity does not compromise or inflict further damage on the environment.

## C. Towards a socially sustainable green economy

14. With the right policies, a transition to a green economy can lead to gains in employment and can benefit, in particular, those who have been short-changed by the conventional economic growth model. However, such a transition, while it may bring opportunities to many, still entails challenges. The main challenge is to ensure that the transition is fair and inclusive, namely, that the costs and benefits of the transition are shared equitably.

15. Investments in social protection and the pursuit of active labour market policies are important policy instruments in this regard. In the international arena, the World Health Organization and the International Labour Organization have led a United Nations system-wide Social Protection Floor Initiative, that promotes both integrated strategies for providing access to essential social services, and income security for all. This initiative originated in the recognition that the countries that have reduced income poverty and inequality successfully, and improved economic conditions on a large scale, were those that had developed comprehensive, rights-based social protection policies covering the majority of their populations.[6] The

[5] For a review of the empirical literature on returns to education, see: Barbara Sianesi and John Van Reenen (2000), "The Returns to Education: A Review of the Macro-Economic Literature", Centre for the Economics of Education, London School of Economics and Political Science (2000); and George Psacharopoulos, "Returns to Investment in Higher Education: A European Survey", a contribution to the Higher Education Funding Reform Project for the European Commission, led by the Center for Higher Education Policy Studies (2009). For a review of the economic impact of health, see: International Monetary Fund (IMF), "Health and Development: Why investing in health is critical for achieving economic development goals", a compilation of articles from *Finance and Development* (December 2004).

[6] See Armando Barrientos (2008), "Social protection and poverty", background paper commissioned for the United Nations Research Institute for Social Development report *Combating Poverty and Inequality: Structural Change, Social Policy and Politics* (United Nations publication, Sales No. E.10.III.Y.1); and International Labour Organization (ILO), *World Social Security Report 2010-2011: providing coverage in times of crisis and beyond* (Geneva, International Labour Office, 2010).

consequences of economic crises have been most severe in countries where social protection systems were weakest.[7] Most of the existing evidence for developing countries has shown that well-designed social protection schemes promoted increases in labour force participation and improvements in the productive capacity of beneficiaries.[8] Insofar as they helped poor men and women manage trade-offs between meeting their immediate needs and securing future livelihoods, social protection measures also encouraged capital accumulation and investment, eased access to credit and helped households manage risk and protect natural resources.

16. Although much remains to be done in terms of integrating climate change adaptation into social protection, some cash transfer programmes have begun to incorporate environmental protection in their conditions of transfer. For example, the recently approved *Bolsa Verde* programme in Brazil offers cash transfers to families, conditional on their preserving natural resources. In 2008, the Productive Safety Net Programme in Ethiopia provided transfers or cash-for-work interventions to households affected by drought, helping to improve their caloric consumption by 30 per cent compared to non-beneficiary households.[9]

17. Universal access to social protection and social services is, therefore, necessary to promote a socially sustainable economy, but it must be complemented by broader interventions that address access to resources and their redistribution. Measures ensuring access to land, credit and other productive resources, fair inheritance rights, full legal capacity and access to justice for poor women and men are critical for sustainable development and inclusive, equitable economic growth. Policies that ignore equal access to finance, land and other resources result in the further entrenchment of inequality, which can in turn reinforce unsustainable patterns of resource consumption. In the absence of redistribution and participation, it is likely that greening the economy will not improve the living conditions of the poorest and most vulnerable populations.

## D. The importance of participation

18. Participation by all members of society in social, economic and political life is important in order for the economy to achieve its full potential and to ensure that Governments respond to social needs, especially those of people living in poverty. Social movements have, traditionally, given a voice and greater agency to poor people and to excluded social groups, in encouraging them to articulate their own interests and take control of their own lives. More recently, social movements have been an effective force in the creation of innovative, sustainability-enhancing institutions and have succeeded, in a few countries, in integrating environmental and social programmes.

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[7] Yanchun Zhang, Nina Thelen and Aparna Rao (2010), "Social protection in fiscal stimulus packages: some evidence" (United Nations Development Programme/Office of Development Studies Working Paper, March 2010).

[8] For a review of the impact of social protection on economic growth, see: Organization for Economic Cooperation and Development, *Promoting Pro-Poor Growth: Social Protection*, 2009; and Armando Barrientos and James Scott, "Social Transfers and Growth: a review", Working Paper No. 52 (Manchester, Brooks World Poverty Institute, University of Manchester, 2008).

[9] World Bank, *Climate-responsive Social Protection*, Social Protection and Labor Discussion Paper No. 1210 (Washington, D.C., 2012).

19. Creating an enabling environment for participation and social movements balances the inequitable distribution of power, advances social cohesion and promotes the social sustainability necessary for economic growth and environmental protection. Confronting social injustice, addressing poverty and inequality and fostering social integration through effective social policies form the foundation of a strong social pillar of sustainable development that will lead to the future we all want.

# III. Policy coherence and financing

20. The importance of social sustainability notwithstanding, there is still a wide implementation gap. The effective integration of the three pillars of sustainable development is hampered by policies that are often fragmented and inconsistent, both at the national and international levels, as well as by a lack of resources and policy space.

## A. Increasing policy coherence

21. Economic policies rarely make explicit reference to the goals of full employment, decent work or poverty reduction. Instead, the prevailing macroeconomic policy framework focuses primarily on a narrowly defined notion of macroeconomic stability, which aims at keeping inflation low and controlling fiscal deficits. This focus has frequently increased volatility in the real economy and in the labour market. Emphasis on balancing public budgets, in particular, has repeatedly resulted in declines in social spending and in public investment in infrastructure and technology, all of which are critical for economically and socially sustainable development. Such policy inconsistency has been amply demonstrated by the economic policy about-face, in industrialized countries, with regard to coping with the fallout from the recent global financial and economic crisis. While reducing public debt, even when growth and demand have not recovered, is seen as necessary to reassure investors, restore credit supply and thereby strengthen growth and create jobs, a historical analysis of fiscal consolidation programmes shows that cutting the budget deficit typically reduces demand and gross domestic product, raises unemployment and has long-lasting negative effects on inequality.[10]

22. Improving policy coherence at the national level calls for aligning macroeconomic policy frameworks with social and environmental goals. It involves monitoring and, when necessary, modifying policy implementation, so as to maximize synergies and minimize negative impacts among the three dimensions of sustainable development. Finally, it requires a favourable international environment, including mutually reinforcing policies, in trade, investment, agriculture, taxation, migration and other economic, social and environmental issues, as well as effective global governance. Governments in developed countries, in particular, must ensure that their policies, beyond the provision of aid, are supportive of, or at least do not

[10] IMF, "Balancing fiscal policy risks", *Fiscal Monitor*, April 2012; Luca Agnello and Ricardo M. Sousa, "How does Fiscal Consolidation Impact on Income Inequality?" Document de Travail No. 382 (Paris, Banque de France, 2012); and Prakash Loungani, "Will it hurt? Who will it hurt? The macroeconomic and distributional effects of fiscal austerity", paper prepared for the expert group meeting organized by ILO and the Division for Social Policy and Development on the challenge of building employment for a sustainable recovery, held in Geneva, 23 and 24 June 2011.

undermine, socially, economically and environmentally sustainable policies in developing countries.

23. However, there is more than one path towards greater policy coherence. Any global governance system must provide ample room for countries to choose their socially sustainable policies. Its dictates should not undermine the fiscal space of developing countries for financing public policies in a sustainable way.

## B. Ensuring adequate financing

24. Adopting sustainable development models requires substantial investment and funding by both the public and private sectors. Failure to address adequately the issue of financing for the social pillar accounts, partly, for the system-wide failure to integrate the three pillars. Since the United Nations Conference on Environment and Development, held in 1992 (the Earth Summit), the financial resources committed to the social pillar have not been commensurate with its importance, partly because of the belief that social development would "trickle down" as a result of economic growth. The recent world financial and economic crisis has further reduced the fiscal policy space of countries, owing to decreased Government revenues and changes in policy stance, which have led to increased austerity measures and cuts to social spending at a time when policies aimed at investing in human capital and mitigating the impacts of the crisis should have been paramount.

25. In order to strengthen the social pillar of sustainable development, adequate financing of social development must be assured. Special attention should be given to those social policies that ensure a fair transition to a green economy, including human resource development, decent work, equal participation, reduction of inequality, social inclusion and comprehensive social protection. These social policies could be implemented through existing financing mechanisms, such as enhanced domestic resource mobilization, honouring existing commitments and increasing official development assistance, as well as stimulating innovative financing mechanisms. Furthermore, it would be crucial to foster greater cooperation and coherence among financing mechanisms at the global, regional and national levels, in order to ensure adequate, predictable and coherent financing that would deepen the funding base for social development.

# IV. Conclusion

26. The global development agenda must aim towards achieving social sustainability. Given the challenges described in the present note, narrow, discretionary investments aimed at addressing the basic symptoms of poverty will not be sufficient to ensure such sustainability. Most of the world's poor occupy highly disadvantaged positions in society and have limited ability to capitalize on opportunities. Measures aimed at alleviating the immediate effects of poverty, while necessary, have not sufficiently addressed its underlying social, economic and political causes. Addressing social sustainability decisively will require tackling both manifest gaps and their structural causes. Social sustainability and the integration of the three dimensions of sustainable development will require transformative, structural changes in the way economies grow, in the number and

quality of jobs that are created, in production and consumption processes and in the mechanisms of governance and participation.

27. However, the effective integration of the three dimensions of sustainable development faces two main obstacles: insufficient political momentum to translate the apparent political commitment to strengthening the social dimension into concrete action, and a lack of both policy coherence and policy space at the national, regional and international levels.

28. The dialogue to formulate the global development agenda beyond 2015 presents a unique opportunity to advance such integration, namely, by linking international efforts to advance social development with efforts, at all levels, to promote environmental protection and the transition to a green economy, and by envisioning a new set of parameters for future development, such as, for instance, a set of sustainable development goals. In order to address social sustainability adequately, the new framework will need to incorporate the issues that lie at the core of social development: social justice, equality, social inclusion and participation. The intergovernmental discussions towards a global development agenda beyond 2015 should provide an opportunity for introducing the concept of inclusive, equitable, sustained and sustainable economic growth in a more direct and comprehensive manner.

29. Making a clear, evidence-based case for the importance of the social pillar should help move the agenda forward. Further lessons must also be drawn from success stories in countries that have managed to integrate the social pillar, and from the policies and programmes that have enabled their success.

30. The Commission for Social Development may want to consider the following questions to lead the discussion on this emerging issue:

(a) Much of the success of the Millennium Development Goals has been due to their clarity and conciseness. Yet, lessons learned from the efforts to implement the Goals suggest the need for a more holistic, transformational agenda that addresses social development, economic development and environmental protection as integral parts of sustainable development. The search for a more transformational approach to development should not, however, overload the global development agenda. **What are the priorities on which the global development agenda should focus after 2015, in order to advance social development and ensure social sustainability?**

(b) There is broad evidence and growing recognition of the fact that social and economic development and environmental protection can reinforce each other, with the right policies in place. **What strategies have proven most effective in promoting positive synergies among the social, economic and environmental dimensions of sustainable development? How can the global development agenda beyond 2015 best promote these synergies?**

(c) **What measures can Governments take to improve policy coherence at the national level?**

(d) **How can policy coherence be strengthened at the international level?**

(e) **How can the international community contribute to translating political commitment into action to strengthen the social dimension of sustainable development?**